

Message Text

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46

ACTION NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PRS-01 PA-04 USIA-15 DRC-01 /151 W

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R 011335Z JUL 74

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E O 11652: N/A

TAGS: ECON, IS

SUBJECT: POSSIBLE NEW ANTI-INFLATION MEASURES

1. JULY 1 NEWSPAPERS CARRY STORIES ABOUT SERIES OF MEASURES GOI IS PLANNING TO STEM INFLATION. FINMIN RABINOWITZ IS QUOTED AS DEPLORING PREMATURE LEAKAGE, BUT REFUSED TO CONFIRM OR DENY REPORTS.

2. ACCORDING TO REPORTS MEASURES INCLUDE:

- (A) NEW COMPULSORY LOAN TO REPLACE VOLUNTARY WAR LOAN;
- (B) NEW INDIRECT TAXES, EITHER PURCHASE TAX INCREASES OR INCREASE IN PRESENT 25 PERCENT IMPORT SURCHARGE;
- (C) BUDGET CUT OF BETWEEN 1 AND 2 BILLION POUNDS;
- (D) NEW PROPERTY TAX ON LUXURY APARTMENTS;
- (E) CHANGES TO MAKE TAX COLLECTION MORE EFFICIENT.

3. COMMENT: MINISTRY OF FINANCE OFFICIAL CONFIRMED TO EMB THAT MEASURES LISTED IN PRESS ARE INDEED UNDER CONSIDERATION. SOME OF THEM, HOWEVER, MAY NOT SEE LIGHT OF DAY BECAUSE OF OPPOSITION FROM VARIOUS QUARTERS. MINISTRY IS NOW CONSULTING WITH HISTADRUT, BANK OF ISRAEL AND OTHER MINISTRIES IN EFFORT TO OBTAIN AGREEMENT OF FINAL PACKAGE, WHICH THEY HOPE CAN BE ACHIEVED

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WITHIN THE NEXT FEW DAYS. SOURCE ALSO STATED THAT DEVALUATION

WOULD NOT REPPEAT NOT BE INCLUDED IN THIS PACKAGE BECAUSE
"TIMING IS WRONG." REPORTEDLY HISTADRUT OPPOSES ANY TAX INCREASE
DURING CURRENT FISCAL YEAR, AND HAS SAID IT WILL NOT CONTINUE
TO SUPPORT RELATIVE RESTRAINT IN WAGE DEMANDS IF TAXES ARE
RAISED. PROPOSALS FOR TAX INCREASES SEEM TO BE DRAFTED WITH
EYT TO AVOIDING TROUBLES WITH HISTADRUT. THUS COMPULSORY LOAN
IS LIKEKLY TO BE BILLED AS REPLACING UNSUCCESSFUL VOLUNTARY
LOAN, INCREASE IN INDIRECT TAXES CAN BE REPRESENTED AS ALTERNATIVE
TO DEVALUATION, WHILE HISTADRUT CAN HARDLY OBJECT TO AOAKING
THE RICH WHO BUY LUXURY APARTMENTS.
KEATING

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